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TRADE AND DEVELOPMENT BOARD
~~Standing Committee on Developing~~
Services Sectors: Fostering
Competitive Services Sectors in
Developing Countries; INSURANCE
Second session
Geneva, 4 July 1994
Agenda items 3, 4 and 5

Draft recommendations of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: INSURANCE

1. After fruitful discussion and a wide exchange of experiences, the Standing Committee (Insurance) expresses its appreciation concerning the quality of the studies presented by the UNCTAD secretariat on the agenda items and recommends their wide dissemination. In accordance with the work programme, the Standing Committee agrees on the following:

A. Promoting transparency

2. In order to facilitate further deliberations and work, the Standing Committee requests the UNCTAD secretariat to continue to prepare on an ongoing basis:

- A statistical survey; and
- A review of developments on insurance and reinsurance operations in developing countries and countries in transition.

B. Fostering competitive insurance services

3. The Standing Committee requests member countries to make available to the secretariat comments on the study on privatization and liberalization at their earliest convenience in order that they may be reflected in the revised version. The Standing Committee requests that the revised version be made available in all the languages.

4. In view of the immediate relevance and recognizing the importance for developing countries and countries in transition in the process of liberalizing and privatizing their insurance markets to establish effective regulatory and supervisory systems, the Standing Committee agrees to give high priority to this area in its future work. It therefore requests the UNCTAD secretariat to prepare a study particularly focusing on prudential regulation and insurance consumer protection. To promote exchange of views in this matter, the Standing Committed requests the secretariat to arrange a meeting open to the participation of all countries, in particular developing countries and countries in transition, to discuss their experience in liberalization and privatization of insurance markets.

5. The Standing Committee, aware of limitations in available resources and time constraints, suggests that the secretariat investigate ways and means to develop creditor insurance (i.e. default in the repayment of a loan in respect of certain undefined contingencies) for the benefit of small and medium-size enterprises in developing countries and encourages an exchange on this issue.

Catastrophe insurance

6. The Standing Committee affirms that the study of catastrophes, environmental impairment and large risks should be continued and that the secretariat should make itself aware of and participate fully in the consideration being given to this matter in other fora.

7. The Standing Committee agrees with the views expressed in the UNCTAD secretariat's study that a significant contributing factor to the less than adequate levels of catastrophe insurance cover available in many developing countries may be the absence of adequate information on aggregate exposures both in respect of assets at risk and perils capable of causing catastrophes.

8. On problems faced by developing countries and countries in transition in the area of insurance against catastrophe perils, the secretariat may:

(a) Prepare a compilation and analysis of existing catastrophe insurance schemes based on information provided by member countries;

(b) Assist countries in collecting comprehensive data on catastrophe (insured) exposures in each country preceded by a preliminary test survey in 10 countries with a view to collating them and enabling insurers and reinsurers to have a better understanding of the

problems.

Environmental impairment

9. The Standing Committee recognizes the need for an exploratory study on the role of insurance relating to environmental impairment. The Standing Committee is of the view that such a study should pay attention to the risk management aspect and damage limitation and take into account the fact that economic and social development and poverty eradication are priorities of developing countries.

Agricultural insurance

10. The Standing Committee agrees to the following conclusions concerning agenda item 5(c), "Expanding the insurance sector in agricultural and rural insurance":

(a) The Standing Committee appreciates the contribution to the subject made by the secretariat through the synthesis of the different aspects of agricultural and rural insurance. The Committee agrees that work on agricultural and rural insurance should be pursued. In this context, a background note should be prepared which examines experiences and initiatives of countries in this field, with particular emphasis on the financial implications of agricultural insurance;

(b) It is the Committee's view that the UNCTAD secretariat's studies on this issue should be followed up through the implementation of technical cooperation programmes. Such programmes should address a particular country's needs in terms of specific agricultural risks.

C. Strengthening technical cooperation and human resources development

11. The Standing Committee requests the UNCTAD secretariat to examine the possibilities to expand existing or establish new training programmes, including agricultural insurance, insurance regulation and supervision, and life insurance. In view of the importance of insurance to the development process, the Standing Committee would greatly appreciate support by potential donors as a matter of priority to support such projects.